HUISHENG INTERNATIONAL HOLDINGS LIMITED
惠生國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1340)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Director(s)**") of Huisheng International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*3*	**382,016**	673,987
Cost of sales		**(389,254)**	(645,985)
Gross (loss)/profit		**(7,238)**	28,002
Other income	*3*	**16,539**	1,848
Other gain or loss, net	*5*	**(57,684)**	—
Gain arising from change in fair value of investment properties		**2,110**	13
Loss arising from change in fair value less costs to sell of biological assets		**—**	(5,644)
(Loss)/gain arising in change in fair value of financial assets at fair value through profit or loss	*8*	**(18,715)**	33,110
Impairment loss of property, plant and equipment		**(207,640)**	—

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Selling and distribution expenses		**(6,310)**	(11,194)
Administrative expenses		**(59,130)**	(35,422)
Finance costs	*6*	**(8,346)**	(8,640)
(Loss)/profit before taxation		**(346,414)**	2,073
Taxation	*7*	**3,449**	(3,042)
Loss for the year	*8*	**(342,965)**	(969)
Other comprehensive income/(loss) for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**3,469**	(1,260)
Other comprehensive income/(loss) for the year, net of income tax		**3,469**	(1,260)
Total comprehensive loss for the year		**(339,496)**	(2,229)
Loss for the year attributable to:			
Owners of the Company		**(342,953)**	(275)
Non-controlling interests		**(12)**	(694)
		(342,965)	(969)
Total comprehensive loss attributable to:			
Owners of the Company		**(339,484)**	(1,535)
Non-controlling interests		**(12)**	(694)
		(339,496)	(2,229)
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	*9*	**(39.30)**	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**261,733**	650,314
Prepaid lease payments		**16,397**	32,614
Biological assets		**—**	23,823
Deposits and prepayments for property, plant and equipment	*14*	**116,238**	32,247
Deposits and prepayments for biological assets	*14*	**120,000**	—
Loan receivables	*14*	**259,735**	—
Investment properties		**17,121**	14,158
Financial assets at fair value through other comprehensive income		**1,500**	—
Available-for-sale investments		**—**	1,500
		792,724	754,656
Current assets			
Financial assets at fair value through profit or loss	*12*	**35,124**	71,385
Biological assets		**—**	7,309
Inventories		**—**	19,171
Prepaid lease payments		**455**	941
Trade receivables	*13*	**5,669**	131,898
Prepayments, deposits and other receivables	*14*	**52,508**	2,071
Tax recoverable		**12**	11
Bank balances and cash		**8,168**	349,780
		101,936	582,566

	Notes	2018 RMB'000	2017 RMB'000
Current liabilities			
Trade payables	*15*	**—**	82,379
Accruals and other payables		**36,911**	16,899
Borrowings		**22,690**	63,313
Deferred revenue		**25**	25
Tax payable		**—**	5,534
		59,626	168,150
Net current assets		**42,310**	414,416
Total assets less current liabilities		**835,034**	1,169,072
Non-current liability			
Deferred revenue		**302**	328
Net assets		**834,732**	1,168,744
Equity			
Share capital	*16*	**7,308**	7,200
Reserves		**823,957**	1,158,065
Equity attributable to owners of the Company		**831,265**	1,165,265
Non-controlling interests		**3,467**	3,479
Total equity		**834,732**	1,168,744

1. GENERAL INFORMATION

The Company is incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Unit 8A, 8/F., Aubin House, 171-172 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in hog breeding, hog slaughtering and sale of pork products in the People's Republic of China (the "**PRC**"). The consolidated financial statements are presented in Renminbi ("**RMB**"). The functional currency of the Company is Hong Kong dollars ("**HK$**"). The directors considered that it is more appropriate to present the consolidated financial statements in RMB as the functional currency of the most principal operating subsidiaries of the Group is RMB. The consolidated financial statements are presented in thousands ("**RMB'000**"), unless otherwise stated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of the new and revised standards, amendments and interpretations (collectively referred to as the "**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which are effective for the Group's financial year beginning on or after 1 January 2018. A summary of the new and revised HKFRSs applied by the Group is set out as follows:

HKFRSs (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the consolidated financial statements.

The above new and revised HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impact on the consolidated financial statements

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the application of new and revised HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below:-

Consolidated statement of financial position *(extract)*	**31 December 2017**	**HKFRS 9**	**1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Financial assets at fair value through other comprehensive income	—	1,500	1,500
Available-for-sale investments	1,500	(1,500)	—

(b) HKFRS 9 Financial instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit loss ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

(i) Classification and measurement

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit loss. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortise cost or FVOCI (recycling). Changes in the fair value of the investment (including) interest are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments	**Financial assets at FVOCI**
	RMB'000	*RMB'000*
Closing balance at 31 December 2017		
— HKAS 39	1,500	—
Effect arising from initial application of HKFRS 9:		
Reclassification		
From available-for-sale investments	(1,500)	1,500
Opening balance at 1 January 2018	—	1,500

*From available-for-sale (“**AFS**”) equity investments to FVOCI*

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB1,500,000 were reclassified from available-for-sale investments to financial assets at FVOCI, of which RMB1,500,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39.

Financial assets at FVPL

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, approximately RMB71,385,000 of the Group’s investments were held for trading and continued to be measured at FVPL.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

Except as above described, there is no reclassification or remeasurement of the financial assets, including cash and cash equivalent, trade receivables, deposit and other receivables for the adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and other receivables. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on internal credit rating. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits and other receivables, loan receivables and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition, except for loan receivables which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

(c) HKFRS 15 Revenue from Contracts with Customers and the related amendments

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current period does not result in any impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the financial statements as the timing of revenue recognition on sale of goods is nearly unchanged. Thus, there was no impact on the Group's consolidated statement of financial position as of 1 January 2018.

(d) Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[3]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
HKFRS (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HKFRS 3 (Amendments)	Definition of a business[2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2020.

4 Effective for annual periods beginning on or after 1 January 2021.

5 Effective for annual periods beginning on or after a date to be determined.

3. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of pork products	**378,874**	669,250
Others *(note)*	**3,142**	4,737
	382,016	673,987

Note: Others include processed pork products and porkers and slaughtering service.

The reconciliation of revenue from contracts with customers for the year ended 31 December 2018 is as follows:

	2018
	RMB'000
Recognised at a point in time:	
Sales of pork products	**378,874**
Others	**3,142**
	382,016

	2018	2017
	RMB'000	*RMB'000*
Other income		
Interest income on:		
Financial assets at fair value through profit or loss	**—**	146
Bank deposits	**1,120**	897
Loan receivables	**13,385**	—
Amortisation of deferred revenue	**25**	25
Total interest income	**14,530**	1,068
Government grants *(note)*	**1,371**	618
Sundry income	**638**	162
	16,539	1,848

Note: Government grants mainly represent incentive subsidies granted by the PRC government authorities in relation to processing of ill hogs and subsidies on interest expenses of collective notes. There are no conditions or limitations attached to these subsidies by the respective PRC government authorities.

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers ("**CODMs**"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. The operation of the Group constitutes one reportable segment, i.e. slaughtering and trading of pork products. This is also the basis upon which the Group is arranged and organised.

The information reported to the CODMs for the purpose of resource allocation and assessment of performance, is with reference to (loss)/profit before taxation and assets which do not contain the loss arising from change in fair value less costs to sell of biological assets. In the reports to the CODMs, the biological assets are stated at cost but the biological assets are stated at their fair value less costs to sell under the consolidated financial statements. The differences between the (loss)/profit before taxation and assets reported to the CODMs and those in the consolidated financial statements are as follows:

	2018	2017
	RMB'000	*RMB'000*
Segment (loss)/profit before taxation reported to the CODMs	**(346,414)**	7,717
Add:		
Loss arising from change in fair value less costs to sell of biological assets *(note)*	**—**	(5,644)
(Loss)/profit before taxation reported in the consolidated financial statements	**(346,414)**	2,073

Note: The amounts represent fair value change in live hogs at the end of the reporting period.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in the reporting period.

	2018	2017
	RMB'000	*RMB'000*
Segment net assets reported to the CODMs	**834,732**	1,174,388
Add:		
Loss arising from change in fair value less costs to sell of biological assets *(note)*	**—**	(5,644)
Net assets reported in the consolidated financial statements	**834,732**	1,168,744

Note: The amounts represent fair value change in live hogs at the end of the reporting period.

As the Group's segment liabilities are not regularly provided to CODMs for review, the measurement of total liabilities for the respective segment is not presented.

Geographical information

The Group's revenue from external customers by geographical locations in the PRC during the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
	RMB'000	*RMB'000*
Hunan Province	**284,045**	527,142
Guangdong Province	**16,425**	28,406
Zhejiang Province	**59,742**	79,821
Others	**21,804**	38,618
	382,016	673,987

The Group's non-current assets are principally attributable to a single geographical region, which is the PRC and accordingly, no further geographical segment information is presented.

The Group's geographical concentration risk is mainly in Hunan Province, which accounted for 74% of the total revenue during the year ended 31 December 2018 (2017: 78%).

Information about major customers

For the year ended 31 December 2018, revenue generated from one (2017: none) customer of the Group which has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2018 (2017: none).

Revenue from major customer, which contribute to 10% or more of the Group's revenue is set out below:

	2018	2017
	RMB'000	*RMB'000*
Customer A *(note)*	**52,047**	N/A

Note: The revenue contributed by Customer A during the year ended 31 December 2017 was less than 10% of the Group's revenue.

5. OTHER GAIN OR LOSS, NET

An analysis of the Group's other gain or loss for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
	RMB'000	*RMB'000*
Other gain or loss, net		
Gain on disposal of a subsidiary	**8,069**	—
Write-off of inventories	**(32,476)**	—
Write-off of biological assets	**(33,277)**	—
	(57,684)	—

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on:		
— Borrowings wholly repayable within five years	**8,346**	8,640

7. TAXATION

	2018	2017
	RMB'000	*RMB'000*
Current tax – Hong Kong		
Charge for the year	**—**	3,042
Over-provision in prior years	**(3,449)**	—
	(3,449)	3,042

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25% (2017: 16.5%), and profits above HK$2 million will be taxed at 16.5% (2017: 16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime will be continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

PRC

The PRC Enterprise Income Tax (the "**PRC EIT**") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

Meat processing of primary produce is on the list of The Range of Processing of Primary Agricultural Produces to Be Given Preferential Enterprise Income Tax Treatment (Trial Implementation) (2008 version) (享受企業所得稅優惠政策的農產品初加工範圍(試行)(2008年版)) promulgated by the Ministry of Finance (財政部) and the State Administration of Taxation (國家稅務總局) on 20 November 2008. Hunan Huisheng Meat Products Company Limited ("**Hunan Huisheng**") (湖南惠生肉業有限公司) meets the required standard for preferential PRC EIT treatment.

According to the prevailing tax rules and regulations, Hunan Huisheng operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2017 and 2018.

According to the prevailing tax rules and regulations, the Group is operating in agricultural business, which is exempted from the PRC EIT, and no deferred taxation impact was considered for the reporting periods.

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2018	2017
	RMB'000	*RMB'000*
Directors' emoluments:		
Directors' fee	**126**	309
Salaries, allowances and benefits in kind	**1,369**	1,091
Retirement scheme contributions	**60**	48
Equity-settled share-based payment	**260**	952
	1,815	2,400
Other staff costs:		
Salaries and other benefits	**14,243**	14,824
Retirement scheme contributions	**3,033**	3,369
Equity-settled share-based payment	**1,488**	6,666
Total staff costs	**20,579**	27,259
Auditors' remuneration		
— Audit service	**1,000**	1,000
— Non-audit service	**—**	32
Bad debts written-off	**350**	—
Depreciation of property, plant and equipment	**35,139**	41,804
Written-off of property, plant and equipment	**—**	12,049
Amortisation of prepaid lease payments	**505**	941
Net foreign exchange loss	**—**	1
Equity-settled share-based payment in respect of consultants	**1,489**	—
Loss from selling of non-current biological assets	**—**	2,025
Cost of inventories recognised as expenses *(note)*	**385,447**	586,112
Operating lease rental expenses in respect of rented premises	**628**	715

An analysis of the loss/(gain) arising in change in fair value of financial assets at FVPL classified as held for trading investments is as follows:		
Realised gain on disposal of financial assets at FVPL	**(7,817)**	(40,249)
Unrealised loss on financial assets at FVPL	**26,532**	7,139
	18,715	(33,110)

Note: The amount includes the service fee of approximately RMB3,798,000 paid to fattening farms for the year ended 31 December 2017.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2018	2017
	RMB'000	*RMB'000*
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(342,953)**	(275)

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**872,726**	861,183

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of approximately RMB342,953,000 (2017: RMB275,000) and the weighted average number of approximately 872,726,000 (2017: 861,183,000) ordinary shares in issue during the year ended 31 December 2018.

Basic and diluted loss per share for the years ended 31 December 2018 and 2017 were the same because exercise of share options would decrease the loss per share for the years ended 31 December 2018 and 2017 and, therefore, be anti-dilutive.

10. DIVIDEND

The Board does not recommend the payment of final dividend for the years ended 31 December 2018 and 2017.

11. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2018, the Group incurred costs for furniture, fixtures and equipment of approximately RMB57,000.

Impairment loss recognised in the current year:

In view of the current situation of the slaughterhouse and breeding farms and the spread of African Swine Fever ("**ASF**"), the Group considered it was an indication that the property, plant and equipment of the slaughterhouse and breeding farms were impaired. The Group carried out an impairment testing on the property, plant and equipment of the slaughterhouse and breeding farms. The recoverable amount of the property, plant and equipment for the slaughterhouse and breeding farms has been determined based on a value-in-use calculation. The value-in-use of property, plant and equipment were estimated based on their respective discounting future cash flows to be generated from the continuing use of these assets.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RMB'000	*RMB'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong *(note (a))*	**35,124**	61,316
Derivative financial assets:		
Convertible bond *(note (b))*	**—**	10,069
	35,124	71,385

Notes:

(a) At 31 December 2018, the fair value of the listed equity securities, amounting to approximately RMB35,124,000 (2017: RMB61,316,000), was determined based on the quoted market bid prices available on the Stock Exchange of Hong Kong Limited.

(b) On 31 July 2017, the Company subscribed convertible bonds ("**CBs**") issued by Larry Jewelry International Company Limited (the "**Larry Jewelry**") in an aggregate principal amount of HK$9,000,000 at a coupon rate of 7.5% per annum, payable quarterly in arrears, and with maturity period of two years. The CBs are denominated in HK$. The CBs entitle the bondholders to convert them into shares of Larry Jewelry at any time following the relevant date of issue until the maturity date, at a conversion price per share HK$0.25, subject to anti-dilutive clauses. The CBs were disposed to an independent third party in January 2018.

13. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**5,743**	131,898
Less: Allowance for credit loss	**(74)**	—
	5,669	131,898

The Group offered credit period on sale of pork products of within 80 days. The aging analysis of trade receivables, net of allowances for credit loss, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**—**	102,150
31 days to 60 days	**—**	29,398
61 days to 80 days	**5,669**	—
Over 81 days	**—**	350
Total	**5,669**	131,898

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Deposits and prepayments for property, plant and equipment *(note (a))*	**116,238**	32,247
Deposits and prepayments for biological assets	**120,000**	—
Other prepayments, deposits and other receivables *(note (b) & (c))*	**312,971**	2,071
	549,209	34,318
Less: Allowance for credit loss	**(728)**	—
	548,481	34,318

Analysed for reporting purposes as:

	2018	2017
	RMB'000	*RMB'000*
Non-current assets	**495,973**	32,247
Current assets	**52,508**	2,071
	548,481	34,318

Notes:

(a) The deposits and prepayments for property, plant and equipment as at 31 December 2018 and 2017 were mainly for the purchase of equipment of production facilities in the Group's slaughter house and breeding farms.

(b) As at 31 December 2018, there were loan receivables of approximately RMB260,000,000 net of allowance for credit loss of approximately RMB259,735,000. The loan receivables were unsecured, interest bearing at 0.8% per month and repayable within five years.

(c) As at 31 December 2018, there were interest receivables of appoximately RMB13,385,000 net of allowance for credit losses approximately RMB13,264,000.

15. TRADE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**—**	82,379

The Group was offered credit period on purchase of goods within 60 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**—**	82,379

16. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Amount	
		HK$'000	*RMB'000*
Authorised:			
Balance as at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**1,500,000,000**	**15,000**	**11,810**
Issued and fully paid:			
Balances as at 1 January 2017	578,980,000	5,790	4,632
Issue of shares under rights issue *(note (a))*	289,490,000	2,895	2,568
Balances as at 31 December 2017 and 1 January 2018	868,470,000	8,685	7,200
Issue of shares under exercise of share options *(note (b))*	12,368,000	123	108
Balances as at 31 December 2018	**880,838,000**	**8,808**	**7,308**

Notes:

(a) On 15 December 2016, the Company announced to raise approximately HK$144.75 million, before expenses, by way of rights issue (the "**Rights Issue**") of 289,490,000 rights shares to the qualifying shareholders at a subscription price of HK$0.50 per rights share on the basis of one rights share for every two existing shares held on the record date. The Rights Issue was completed on 2 February 2017. Please refer to the announcements of the Company dated 15 December 2016, 28 December 2016 and 1 February 2017 and the prospectus of the Company dated 9 January 2017 for information regarding the Rights Issue.

(b) On 17 July 2018, the Company announced to grant a total of 45,788,000 share options with an exercise price of HK$0.207, of which 3,684,000 and 8,684,000 share options were exercised on 24 July 2018 and 11 September 2018 respectively. Details of the grant of share options are set out in the announcement of the Company dated 17 July 2018.

17. COMPARATIVES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods design, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The Group is one of the largest pork suppliers in Changde, Hunan Province, the PRC, and is principally engaged in the production and sale of pork products, and its operations mainly involve hog slaughtering as well as hog breeding and hog farming. The Group's pork product line ranges from fresh, chilled and frozen pork, to side products as well as processed pork products including cured pork and sausages.

The widespread of African Swine Fever ("**ASF**") had seriously dampened the pork raising and sale industry in the PRC. According to the announcement from Ministry of Agriculture and Rural Affairs of the People's Republic of China dated 23 October 2018, there were detections of ASF in Yiyang City and Changde City of Hunan Province in Mainland China. Positive samples of ASF were discovered in 2 pig breeding farms located at Taojiang County of Yiyang City and Taoyuan County of Changde City. 17 hogs were dead and 44 hogs were diagnosed with ASF among the 546 live hogs in Taojiang County and the outbreak was even more severe in Taoyuan County where 31 hogs were dead and 208 hogs diagnosed with ASF among the 268 live hogs. As at the date of this announcement, ASF had spread to at least 111 confirmed cases in 28 provinces and regions across the country.

BUSINESS REVIEW

Affected by the ASF, 湖南惠生肉業有限公司 (Hunan Huisheng Meat Products Co., Ltd.*), the wholly-owned subsidiary of the Company, had received the quarantine order dated 24 October 2018 from the Agriculture Committee of Changde City* in relation to the seizure of our slaughterhouse in Changde City for a period of 42 days since it has slaughtered hogs provided from Taoyuan County. Another two breeding farms of our Group in Taoyuan County also received quarantine orders dated 24 October 2018 from the government of Taoyuan County* regarding the blockade and destruction of the two breeding farms for a period of 42 days. They are ordered to kill all the hogs and clear all the inventories located in these 2 breeding farms. Furthermore, both slaughterhouse and breeding farms were ordered to suspend operation and sales during the quarantine period and perform disinfection and harmless treatment in order to clear all the ASF virus.

Not only did the quarantine orders overwhelmingly hinder the production of hogs or other pork products, the outbreak of ASF also affected the customers' confidence and in turn the demand for pork products which further decrease the sales of pork products.

* *For identification purposes only*

The above seizure and quarantine orders will only be discharged when the PRC authorities are satisfied of the conditions of our slaughterhouse and breeding farms. Raising of hogs are expected to be only allowed at least half year after the seizure and quarantine orders are discharged. As at the date hereof, the above seizure and quarantine orders are still in effect and our business in the slaughterhouse and breeding farms are still in suspension.

In view of the current situation of our slaughterhouse and breeding farms and the spread of ASF, the Company has taken a prudent view and assessment on its impact on the future operations of the Company. Taking a careful and conservative view and assumption that the business of slaughterhouse and breeding farms could only be resumed one year after the seizure and quarantine orders, the Company has cautiously lowered the business projection of the Company and made a provision of an impairment of the property, plant and equipment of the Group in the amount of approximately RMB208 million for the year ended 31 December 2018, due to the high degree of uncertainty on the ASF outbreaks in the PRC.

To make things worse, live hog prices in major consumption and production areas rose 7 percent on average per kilogram, according to data provided by consultancy China-America Commodity Data Analytics. Prices of pork across the country surged almost 20 percent even though the demand for pork was not high.

The outbreak of ASF in the PRC was catastrophic to the industry, many pork products companies in the PRC recorded substantial decrease in financial results due to the downturn of the pork products industry, and the Company was no exception. As a result of the damages done by the ASF, during the year ended 31 December 2018, the revenue of the Group was approximately RMB382 million, which recorded a decrease of approximately 43.3% of the same period of 2017.

In order to deal with the adversity of the changing market, during the year of 2018, the Group had kept its effort to fine-tune the supply chain and reformulate the source of hogs such as actively eliminates certain old breeder hogs in order to reduce the breeding costs. In April 2018, 湖南惠生肉業有限公司 (Hunan Huisheng Meat Products Co., Ltd.*), an indirect wholly-owned subsidiary, as the vendor had entered into an equity transfer agreement with 常德宏潤牧業有限公司 (Changde Hong Run Animal Husbandry Co., Ltd.*) as the purchaser, pursuant to which the vendor has agreed to sell and the purchaser has agreed to purchase the equity interest of 常德惠幫牧業開發有限公司 (Changde Hui Bang Animal Husbandry Development Co., Ltd.*) ("**Changde Hui Bang**"), representing 100% of the registered capital of Changde Hui Bang, at a consideration of RMB38.0 million (equivalent to approximately HK$47.2 million) (the "**Disposal of Changde Hui Bang**").

* *For identification purposes only*

The assets of Changde Hui Bang comprise the old production base and two old breeding farms of the Group. The Group has already constructed a new production base and commenced operation since 2014. The said new production base, which achieves higher efficiency with new plant and equipment, has gradually taken over the hog slaughtering and pork processing operation of the old production base. It was already planned that the old production base would be disposed once the transitional period passed and the new production base can run smoothly. The Board considers it is the right time to dispose of the old production base since the new production base has been operating smoothly for more than three years. The Disposal of Changde Hui Bang may reduce the idle capacity, enhance the utilisation efficiency and shed loss making operations.

Combined with fact that there are excess effect of a lower utilisation rate as a result of decreasing slaughtering volume, products' fixed cost has increased and the Group has experienced a decrease in the profit margin. In addition, the deteriorating operating environment resulted in the old production base and the two old breeding farms owned by Changde Hui Bang recorded an unaudited loss after tax of RMB531,000 for the year ended 31 December 2017 as compared to a profit after tax of RMB9,361,000 for the year ended 31 December 2016. The Board expects the loss making situation of the old production assets will not turnaround in the foreseeable future as efficiency will continue to drop due to the depreciation of assets over time. Details of the Disposal of Changde Hui Bang are set out in the announcement of the Company dated 20 April 2018.

On the other hand, in view of improving the conditions of our farms, the Group also consolidated the hogs in certain breeding farms and temporarily closed the rest farms for upgrading the sewage and waste treatment facilities. This may not only provide a better environment to our hogs, but also prepare the necessary hardware for future introduction of new hog species with better quality and higher grading.

In view of the higher environmental protection requirements and the more frequent and stringent inspections from the related government authorities, the Group has spent more during the year to improve the sewage and waste treatment facilities and is evaluating the cost efficiency of maintaining the current breeding facilities while meeting the higher environmental regulatory requirements.

Facing the gloomy weather of the industry, the Group had strived to maintain healthy financial condition and sufficient resources, both in terms of capital and human resources for sustainable development. The Group sees our human resources an important if not essential element for successful business. Therefore, on 17 July 2018, the Company had granted a total of 45,788,000 share options at an exercise price of HK$0.207 per share to a director, employees and consultants of the Company, having the objective to retain talents and to provide motivation to work towards the benefits of the Company. Details of the grant of share options are set out in the announcement of the Company dated 17 July 2018.

Meanwhile, the Group had made a few moves in order to strengthen the financial position of the Company. To utilise the idle cash of the Group, the Group had conducted various acquisitions and disposals of equity shares of listed companies on the open market through the Stock Exchange of Hong Kong Limited (the "**Acquisitions and Disposals of Shares**"). Some of these Acquisitions and Disposals of Shares had constituted discloseable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and are accordingly subject to notification and announcement requirements thereunder. Having received guidance and clarifications from the Stock Exchange, the Group was alert to comply with the requirements under the Listing Rules and to prevent the occurrence of similar non-compliance incident involving the trading of listed securities in the future, the Company will establish a committee which will be empowered by the Board to deal with its securities investments. The Directors believe that the Acquisitions of Shares would amount to investment opportunity to the Company to generate short-term return. On the other hand, the net proceeds of the Disposals of Shares were used to support the capital needs of the Group. As the Acquisitions and Disposals of Shares were made at the then prevailing market price, the Directors are of the view that the Acquisitions and Disposals of Shares were fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole. Details of the Acquisitions and Disposals of Shares are set out in the announcement of the Company dated 26 February 2019.

Besides, we had attempted to raise fund for the Group by means of placing of shares. On 21 September 2018, the Company and Yellow River Securities Limited (the "**Placing Agent**") entered into the placing agreement (the "**Placing Agreement**") pursuant to which the Company agreed to allot under the general mandate and Placing Agent agreed to place, on a best effort basis, up to 173,692,000 placing shares, at the placing price of HK$0.159 (the "**Placing**"). The net proceeds from the Placing, after deduction of commission and other expenses of the Placing, would amount to approximately HK$26,588,000. The net proceeds of the Placing was proposed to be utilised for repayment of the outstanding loan in a sum of HK$21,500,000 which was due and matured on 21 August 2018 and extended to 21 August 2019 pursuant to the extension letter dated 25 March 2019; and the remaining balance of the proceeds in an estimated sum of approximately HK$5,088,000 would be reserved for general working capital and administration expenses of the Company. However, on 15 October 2018, owing to the market sentiment, the Company and the Placing Agent had mutually agreed to unconditionally terminate the Placing Agreement. Details of the Placing are set out in the announcements of the Company dated 21 September 2018, 5 October 2018, 15 October 2018 and 26 February 2019.

Before the decision to proceed with the Placing, the Company had considered the possibility of utilising the cash of the Group held in the PRC at the time, and explored different possible ways through which this could be done, such as by way of dividend payment or intra-Group loans. These methods, however, were subject to restrictions under PRC's applicable financial regulations, and may potentially impose tax liabilities on the Group's relevant PRC subsidiaries.

The Board also considered the possibility of realising the securities held by the Company at the time to provide for the relevant working capital needs. However, by reason of the unexpected recession of securities market, the Board came to the view that it would be in the best interest of the shareholders of the Company (the "**Shareholders**") for the funds to be raised by way of Placing.

In December 2016, the Company proposed to raise approximately HK$144.75 million, before expenses, by way of the issuance of 289,490,000 rights shares to the qualifying shareholders at a subscription price of HK$0.50 per rights share on the basis of one (1) rights share for every two (2) existing shares held on the record date (the "**Rights Issue**"). The Directors consider that the Rights Issue will (i) reduce the uncertainty over the Company's financial position to repay part of the outstanding balance of such borrowings which incur high interest rate; (ii) strengthen the capital base of the Group and give the qualifying shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company; and (iii) provide the Group with flexibility in identifying potential investment opportunities. The Rights Issue was completed in February 2017. The gross proceeds and the net proceeds of the Rights Issue were approximately HK$144.75 million and HK$140.53 million respectively. The Company intended to use (i) approximately HK$87.82 million (representing approximately 62.5% of the net proceeds from the Rights Issue) for repayment of the borrowings of the Group; and (ii) approximately HK$52.71 million (representing approximately 37.5% of the net proceeds from the Rights Issue) for general working capital of the Group and financing any future business opportunities as may be identified by the Company. Details of the Rights Issue are set out in the announcements of the Company dated 15 December 2016, 28 December 2016 and 1 February 2017 and the prospectus of the Company dated 9 January 2017.

During the year ended 31 December 2018, the actual use of proceeds of the Rights Issue is as follows:

Net proceeds raised (Approximately)		**Intended use of proceeds**	**Actual use of proceeds (Approximately)**
HK$87.82 million		For repayment of the borrowings of the Group	Fully used as intended
HK$52.71 million	HK$8.67 million	For payment of finance cost	Fully used as intended
	HK$3.24 million	For payment of legal and professional fee	Fully used as intended
	HK$2.45 million	For payment of staff and related cost	Fully used as intended
	HK$0.82 million	For payment of rental and office expenses	Fully used as intended
	HK$2.40 million	For payment of other administrative expenses	Fully used as intended
	HK$35.13 million	For future business opportunities	HK$17.15 million was used for setting up a licensed money lending company and for purchasing a property for rental income. In order to utilise the idle cash and seek for short term return in accordance to the treasury policy as adopted by the Company, the Group used HK$17.98 million for acquiring listed securities.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded revenue of approximately RMB382 million, representing a decrease of approximately 43.3% as compared with the same period of last year. The reduction was mainly due to the outbreak of ASF in the PRC, which affected not only the operations of the Group but also the customers' confidence and in turn decrease in demand for pork products and resulting in a lower sales volume. Also, the changing dietary habits and the keen competition of imported pork products resulted a reduction in sales volume, and smaller slaughtering volume also lower the utilisation rate and hence each products may bear more fixed costs, such as depreciation and breeding costs, etc.. As a result, the average gross profit margin of the Group decrease from approximately 4.2% in 2017 to average gross loss margin of approximately 1.9% in the current year.

The selling and distribution expenses of the Group for the year ended 31 December 2018 decreased from approximately RMB11 million to approximately RMB6 million which is in line with the decrease in revenue for the year.

For the year ended 31 December 2018, the administrative expenses of the Group were approximately RMB59 million, while it was approximately RMB35 million in 2017. The increase of administrative expenses was mainly due to the outbreak of ASF, the Group was responsible for the heavy incidental costs, such as disposal and disinfection expenses. Moreover, the loss allowances for trade and other receivables due to the application of HKFRS 9 is also the reason for instant increase of administrative expenses.

The Group's finance costs were approximately RMB8 million in 2018, while it was approximately RMB9 million in 2017.

The loss attributable to owners of the Company in 2018 was approximately RMB343 million, while it was a loss of approximately RMB0.3 million in 2017. The reduction was mainly due to the damage done by the outbreak of ASF, which resulted in (i) decrease in revenue by approximately 43.3%; (ii) write-off of biological assets of approximately RMB33 million; (iii) write-off of inventories of approximately RMB32 million; (iv) provision of an impairment of property, plant and equipment of approximately RMB208 million; and (v) net loss arising in change in fair value of financial assets at FVPL due to the volatile stock market condition of approximately RMB19 million during this reporting year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

As at 31 December 2018, the Group had bank and cash balances of approximately RMB8 million (2017: approximately RMB350 million). The Group also had net current assets of approximately RMB42 million, which decreased by approximately RMB372 million as compared with that as at 31 December 2017 which is mainly attributable to the payment of deposits and prepayments for property, plant and equipment and biological assets and loan receivables of which were classified as non-current assets. The total non-current assets of the Group were approximately RMB793 million as at 31 December 2018 (2017: approximately RMB755 million).

As at 31 December 2018, the Group had an outstanding borrowing with an amount of approximately RMB23 million with fixed interest rate of 30% per annum.

The Group intends to finance its operations and investment with its operating revenue, internal resources and bank facilities. The Directors believe that the Group is in a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars for the year ended 31 December 2018. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 31 December 2018, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE OF GROUP ASSETS

The Group had no charges on the Group's assets as at 31 December 2018 (2017: nil).

GEARING RATIO

As at 31 December 2018, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was approximately 2.7% (2017: approximately 5.4%).

FOREIGN EXCHANGE EXPOSURE

Since almost all transactions of the Group were denominated either in Renminbi and Hong Kong dollars, and the exchange rates of such currencies were relatively stable over the year under review, the Directors believe that foreign exchange exposure does not have any significant adverse effect to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

CONTINGENT LIABILITIES

As at 31 December 2018, the Directors were not aware of any material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

On 20 April 2018, 湖南惠生肉業有限公司 (Hunan Huisheng Meat Products Co., Ltd.*), an indirect wholly-owned subsidiary, as the vendor had entered into an equity transfer agreement with 常德宏潤牧業有限公司 (Changde Hong Run Animal Husbandry Co., Ltd.*) as the purchaser, pursuant to which the vendor has agreed to sell and the purchaser has agreed to purchase the equity interest of 常德惠幫牧業開發有限公司 (Changde Hui Bang Animal Husbandry Development Co., Ltd.*), representing 100% of the registered capital of Changde Hui Bang at a consideration of RMB38.0 million (equivalent to approximately HK$47.2 million).

Save as disclosed above, for the year ended 31 December 2018, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENT

During the year, the Company had invested in certain equity shares which are listed in the Hong Kong Stock Exchange. Details of the transactions are set out in the announcement of the Company dated 26 February 2019. Saved as disclosed therein, there was no other significance investment during the year.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed 245 staff and workers in Hong Kong and the PRC (2017: 387). The Group remunerates its Directors based on the complexity of duties and responsibilities of each individual. The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include contributions to social security, medical insurance and retirement schemes and provision of appropriate training program. The Company adopted a share option scheme to enable it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions.

CAPITAL STRUCTURE

As at 31 December 2018, the capital structure of the Company comprised of its issued share capital and reserves.

As at 31 December 2018 and the date of this announcement, there are a total of 880,838,000 issued Shares of the Company.

OUTLOOK AND FUTURE PROSPECTS

In 2018, the swing of ASF had put the hog industry of the PRC, home to the world's largest hog herd, in peril. During the first quarter of 2019, the situation was seemingly stagnant. The death of the infected hogs had caused a decrease of output, making the hog price hit the highest in 14 months in March 2019. Worst still, in early 2019, some places like Taiwan has bolstered its border security to fight with the spread of ASF into Taiwan, bringing any pork products to Taiwan from the PRC is strictly prohibited and heavily fined. On the other hand, the US had also ramped up the fight against the disease and had seized 450,000 kg of pork from the PRC. This causes a drastic drop of demand in both domestic and foreign markets.

To combat with the gloomy situation, as a number of hogs had been destroyed because of the ASF, the Group will acquire more quality hogs to maintain a stable business and supply of hogs. We will also persistently perform a higher standard of testing in the external procured hogs to ensure our pork products are in good standard. For self-breeding hogs, we will also arrange a more frequent monitoring over the health condition of hogs, and may separate different groups of hogs in order to avoid cross-infection. The Group will use any means and any costs to ensure our pork products will not deliver any diseases to our customers. As mentioned above, our operation in the slaughterhouse and breeding farms are still in suspension and the Company expects that it would take around nine months to one year for us to fully resume its business. For the purpose of keeping steady revenue for the Company during the period of continuing seizure and quarantine orders, the Company shall look for potential business opportunities so as to diversify our business risk and income source. The Board shall continue to strive for various channels for fund raising. Meanwhile, we shall pay our attention on maintaining higher standard of corporate governance for long term healthy and sustainable developments for the Company and create benefits for the Shareholders.

EVENTS AFTER THE YEAR END DATE

(1) On 11 March 2019, the Company as the vendor had entered into a sale and purchase agreement with New Stream Holdings Limited as the purchaser, an independent third party (as defined in the Listing Rules), pursuant to which the purchaser has agreed to acquire and the Company has agreed to sell the entire share capital and the 100% of all amounts, including principal and interest, owing by Simple Rise Inc. ("**Simple Rise**"), a direct wholly-owned subsidiary of the Company incorporated in British Virgin Islands and its wholly-owned subsidiary, Sunny Harvest Limited ("**Sunny Harvest**"), an indirect wholly-owned subsidiary of the Company for a cash consideration of HK$19,500,000 (the "**Disposal of Simple Rise**").

Simple Rise is the legal and beneficial owner of a property ("**Property 1**") and Sunny Harvest, which in turn is the legal and beneficial owner of another property ("**Property 2**", together with Property 1, collectively "**Properties**"). The Properties are Office A and Office B located on a floor of Aubin House, Nos. 171 & 172 Gloucester Road, Hong Kong. The Properties are commercial offices with gross floor area of approximately 610 square feet and approximately 610 square feet respectively.

The Disposal of Simple Rise enables the Company to streamline the business of the Group so that more resources can be allocated to the existing business of the Company and to seek for other potential business opportunities. The Board also intends to apply the net proceeds from the Disposal of Simple Rise as general working capital of the Group. Completion of the Disposal of Simple Rise is scheduled to take place on or before 31 May 2019 or such later date to be agreed by the Company and the purchaser. Details of the Disposal of Simple Rise are set out in the announcement of the Company dated 11 March 2019.

(2) With effect from 22 March 2019, (i) Mr. Deng Jinping has resigned as an independent non-executive Director, the chairman of the nomination committee (the "**Nomination Committee**"), and a member of the audit committee (the "**Audit Committee**") of the Company, (ii) Mr. Wong Yuk Lun, Alan has ceased to be the chairman of Audit Committee and re-designated as the member of Audit Committee and (iii) Mr. Chan Hin Hang has been appointed as an independent non-executive Director, the chairman of the Audit Committee and the Nomination Committee and a member of the remuneration committee of the Company.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2018 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the service contracts and letters of appointment entered into with the respective Directors, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director was or had been materially interested, whether directly or indirectly, subsisted at the end of the year under review or any time during the year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2018.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the "**Code Provision(s)**") and certain recommended best practices contained in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules as the code of the Company. The Company had complied with the Code Provisions during the year ended 31 December 2018 except for the following:

Code Provision A.2.7

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

Mr. Ding Biyan had resigned as executive Director and chairman of the Board (the "**Chairman**") on 30 June 2018 and the Company has still been identifying a suitable candidate to assume the duties as Chairman. The board meetings of the Company held during the year had included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board. The Company will endeavor to arrange the meetings for the Chairman (if later appointed), with the non-executive Director (including the independent non-executive Directors) so as to comply with the requirement of Code Provision A.2.7.

Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

Mr. Ding Biyan, the former Chairman who resigned as executive Director and Chairman on 30 June 2018 was unable to attend the annual general meeting ("**AGM**") on 29 June 2018 due to other business engagements. An executive Director had chaired the AGM on 29 June 2018 and adjourned AGM on 10 July 2018 and answered questions from the Shareholders.

The AGM provides a channel for communication between the Board and the Shareholders. Other than the AGM, the Shareholders may communicate with the Company through the contact information as set out in the Company's annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

The Audit Committee of the Company is primarily responsible for reviewing the financial reporting process, risk management and internal control systems and monitoring the integrity of the financial statements and financial reports of the Company. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chan Hin Hang, Mr. Wong Yuk Lun, Alan and Mr. Wong King Shiu, Daniel, with Mr. Chan Hin Hang as its chairman.

The Audit Committee has reviewed with the management the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2018. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management. The Audit Committee had also reviewed and discussed the audit, risk management, internal control and financial reporting matters of the Group, including review of the financial statements for the year ended 31 December 2018.

SCOPE OF WORK OF AUDITORS ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's independent auditors, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hsihl.com) and the Company's annual report for the year ended 31 December 2018 will be despatched to the shareholders of the Company and published on the Company's and the Stock Exchange's websites in due course.

By order of the Board
HUISHENG INTERNATIONAL HOLDINGS LIMITED
Chan Chi Ching
Executive Director

Hong Kong, 27 March 2019

As at the date of this announcement, the Board comprises Mr. Chan Chi Ching, Dr. Liu Ta-pei, Ms. Lam Ka Lee and Mr. Suen Man Fung as executive Directors; and Mr. Chan Hin Hang, Mr. Wong Yuk Lun, Alan, and Mr. Wong King Shiu, Daniel as independent non-executive Directors.